

# BUSINESS CONDITIONS

## SEVENTH FEDERAL



## RESERVE DISTRICT

EUGENE M. STEVENS, *Chairman of the Board and  
Federal Reserve Agent*

HARRIS G. PETT, *Manager  
Division of Research and Statistics*

JOHN H. MARTIN, *Asst. Federal Reserve Agent,  
Detroit Branch*

CLIFFORD S. YOUNG, *Asst. Federal Reserve Agent*

GEORGE A. PRUGH, *Asst. Federal Reserve Agent*

Volume 19, No. 4

MONTHLY REVIEW PUBLISHED BY THE  
FEDERAL RESERVE BANK OF CHICAGO

March 31, 1936

### GENERAL SUMMARY

**A**LTHOUGH adverse weather conditions continued to have their effect through February on Seventh district business, especially as regards the movement of agricultural products, the level of activity was above that of last February and not all trends were unfavorable as compared with the preceding month.

The manufacture of automobiles declined further in February and was below that of the same month last year. Despite the lighter demand from this source, steel mills of the Chicago district had a heavier output than either a month or a year previous, increased buying by the railroads and miscellaneous consumers being responsible for the gain. Shipments from steel casting foundries were larger in February, although those from malleable foundries were less. The dollar volume of furniture shipped from factories in the Seventh district showed a greater than seasonal expansion over the preceding month. Building construction declined as is usual in February but was more than double that of a year ago, according to data on contracts awarded. The movement of building materials was hampered by weather conditions. Chiefly because of the lighter activity at automobile plants, aggregate employment and payrolls in the district were smaller in February than a month previous.

The production of foodstuffs, such as packing-house commodities, butter, and cheese, declined in February, and sales likewise were less except those of Wisconsin cheese, which increased. With the exception of a fractional decline in butter production, the volumes produced and sold exceeded those of the corresponding month last year. The marketing

of grain was reduced sharply in February, owing to transportation difficulties. The condition of winter wheat on March 1 in the Seventh district was considerably under that of a year ago. March 1 planting intentions for the five States of the district indicate about an 8 per cent increase over last year in the corn acreage and little change in that of oats.

Seasonal recessions were recorded during February in the wholesale grocery and drug trades, while the gain in the hardware trade was less than average for the month, and electrical supply sales increased contrary to trend. Department store trade expanded much more than is usual in February, the retail shoe trade showed a counter-seasonal rise, and the gain over January in the retail furniture trade was exceptionally large.

Member bank reserve balances in the district dropped over 100 millions between February 19 and March 18, the result principally of a heavy excess of local Treasury collections over disbursements. Because of increased loans on securities as well as all other loans and of heavier investment in securities other than U. S. Government, total loans and investments of reporting member banks in the district were 60 million dollars greater on March 18 than four weeks previous; demand deposits in these banks declined in the period, and time deposits rose somewhat. Dealer sales of commercial paper in the Middle West were in the lowest volume during February of any month since December 1933, while new financing by means of bankers' acceptances increased more than seasonally over January but continued below average.

### Credit Conditions and Money Rates

During the four-week period—February 19 to March 18—local Treasury collections exceeded disbursements by approximately 124½ million dollars, reserve bank credit extended locally declined over 9 millions (mainly "float"), and demand for currency in the period in-

creased almost 8½ millions. These factors reducing member bank reserve balances were only partially offset by a net inflow of funds from other districts through commercial and financial transactions amounting to 34½ millions, and as a result these balances declined almost 108 million dollars between the two dates. Detailed changes in items affecting the use of Seventh

district banking reserves are shown in the accompanying tabulation.

**Changes between February 19 and March 18 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District.**

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts)...	-9,371
Commercial operations through inter-district settlements.....	+34,083
Treasury and National bank currency.....	+2,800
<b>Total supply.....</b>	<b>+27,512</b>
Demand for currency.....	+8,465
Member bank reserve balances.....	-107,895
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	+126,715
Special and "all other" deposits.....	+60
Other Federal Reserve accounts.....	+267
<b>Total demand.....</b>	<b>+27,512</b>

Down-town banks in Chicago reported a range of 1½ to 5 per cent as the prevailing rate during the week ended March 15 on customers' commercial loans, unchanged from the range given for the corresponding week in February. The average rate earned on loans and discounts by banks in the down-town area during the calendar month of February was given as 2.73 per cent, as against 2.82 in January and 2.92 in February 1935. Rates on customers' commercial loans in Detroit were reported by down-town banks in that city as 2 to 5 per cent for the week ended March 15, unchanged from the prevailing range for the like week in the preceding month.

Dealer sales of commercial paper in the Middle West declined 27 per cent in February and were in the lowest volume since December 1933. Borrowing fell off slightly during the month and demand from both city and country banks lessened somewhat. Commercial paper outstanding on February 29 decreased 4 per cent from the end of the preceding month, contrary to the slight gain shown in the usual trend. Selling rates were unchanged in February, ranging from ½ to ¾ per cent for prime short-term paper to ¾ and 1 per cent for the less well known obligations. The bulk of sales continued at ¾ per cent. In the first half of March, sales of commercial paper showed a substantial increase.

Market operations of Chicago bill dealers from February 13 to March 11 were extremely limited. Purchases from local acceptors, though somewhat heavier than in the preceding four weeks, remained in relatively light volume and receipts from Eastern cities declined to the lowest point since the period June 13 to July 10, 1935, resulting in a reduction of more than 50 per cent in total supply. Sales to local banks showed a considerable decrease, following the heavy gain in the preceding period, which more than offset a slight increase in sales to out-of-town banks, but total distribution equaled the supply. Shipments to Eastern markets were negligible. Rates were unchanged from recent preceding periods, quotations ranging from ⅛ to 3/16 per cent.

**FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION**

(Amounts in millions of dollars)

	MARCH 18, 1936	CHANGE FROM FEBRUARY 19, 1936	MARCH 20, 1935
<b>Total Bills and Securities.....</b>	<b>\$ 329.0</b>	<b>\$-15.9</b>	<b>\$-78.9</b>
Bills Discounted.....	0.0	0	+0.0
Bills Bought.....	0.6	+0.0	-0.0
U. S. Government Securities.....	326.2	-16.0	-79.7
<b>Total Reserves.....</b>	<b>1,424.9</b>	<b>+38.9</b>	<b>+343.6</b>
<b>Total Deposits.....</b>	<b>857.1</b>	<b>+5.9</b>	<b>+190.9</b>
Federal Reserve Notes in Circulation.....	859.7	+7.4	+73.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Com- bined.....	83.0	+1.7*	+8.6*

\*Number of Points.

New financing by means of bankers' acceptances in February increased more than seasonally in the Seventh Federal Reserve district to a level above the two preceding months, though continuing below the volume of a year ago and the 1926-35 average for the month. The direct discounting of these bills at originating banks increased during February and more than offset a decline in the buying of other banks' acceptances, resulting in a slight gain in total purchases for the month. Although sales were nil during February, maturities from portfolios exceeded current purchases so that holdings on February 29 declined 7½ per cent from the end of January. The liability for outstandings at the end of February totaled somewhat less than on January 31, and was 18 per cent under a year ago. Largely as a consequence of reduced borrowing by the iron and steel industry, new financing by means of acceptance credits declined 50 per cent in the first half of March from the corresponding weeks of February.

**TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT.**

	PER CENT CHANGE IN FEBRUARY 1936 FROM	FEBRUARY 1935
	JANUARY 1936	
Total value of bills accepted.....	+13.7	-21.0
Purchases (including own bills discounted)....	+4.2	-48.2
Sales.....	0	-100.0
Holdings*.....	-7.7	-46.9
Liability for outstandings*.....	-1.7	-18.1

\*At end of month.

**SECURITY MARKETS**

The improved tone prevailing in the Chicago bond market in recent months continued through February, and prices advanced. High-grade rails, utilities, and industrials attained record price levels. Secondary classifications also continued to advance, particularly the rails. New financing during February was slightly below the first month of 1936. Corporate issues, which comprised about two-thirds of the new offerings, were practically all of a refunding nature, while the balance, mainly municipals, was for the most part new capital. The bulk of buying during the month continued to come from insurance companies and banks. Prices on the Chicago Stock Exchange increased further during February and the early part of March. The average price of twenty leading stocks\* amounted to \$53.44 on March 17, as compared with \$52.93 and \$51.42, respectively, on the corresponding date in the two preceding months.

\*Chicago Journal of Commerce.

**CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT**

(Amounts in millions of dollars)

	MARCH 18, 1936	CHANGE FROM FEBRUARY 19, 1936	MARCH 20, 1935
<b>Total loans and investments.....</b>	<b>\$2,940</b>	<b>\$ +60</b>	<b>\$ +501</b>
Total loans on securities.....	249	+13	-76
To brokers and dealers:			
In New York.....	2	+1	-42
Outside New York.....	39	+7	-3
To others (except banks).....	208	+6	-31
Acceptances and commercial paper bought.....	30	0	-27
Loans on real estate.....	66	+1	-3
Loans to banks.....	9	0	-3
Other loans.....	395	+35	+45
U. S. Government direct obligations.....	1,674	-3	+454
Obligations fully guaranteed by U. S. Government.....	144	+1	+25
Other securities.....	373	+13	+68
Demand deposits—adjusted.....	2,007	-83	+358
Time deposits.....	765	+6	+37
<b>Borrowings.....</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Agricultural Products

### GRAIN MARKETING

Coincident with transportation difficulties resulting from heavy snowfall and extremely cold weather, the marketing of grain in the United States was reduced sharply in February. Wheat receipts declined counter-seasonally from January to a level below any other month since last March, and reshipments of the grain decreased more than a normal amount but exceeded current receipts. Exports of wheat remained light and imports continued above a year earlier. Following the decline in February from January, prices showed considerable strength at the beginning of March but had eased again by mid-month. Visible supplies of wheat in the United States were reduced more than seasonally on March 14 from February 15 and were 56 per cent lighter than the 1926-35 average for the date.

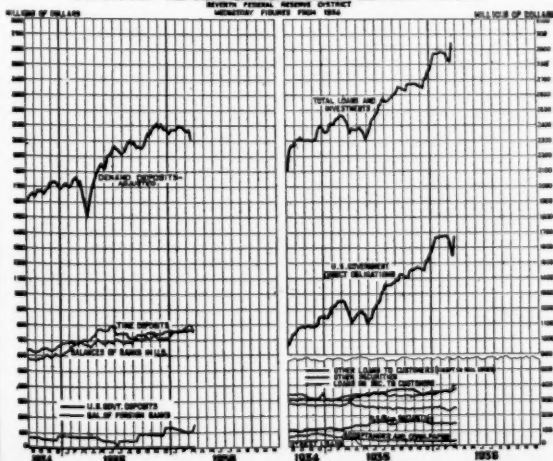
Corn receipts and shipments at interior primary markets in the United States recorded a moderate decline in February from January. Exports were practically unchanged from the opening month of 1936. Prices firmed somewhat over January, and this strength continued through the first half of March. Visible supplies of the grain accumulated by less than a normal amount on March 14 over February 15 and were 83½ per cent under average for mid-March.

Oats moved in lighter volume during February than at any time since July 1935. Exports declined from January but were above the limited volume of a year ago. After firming in February, prices had eased by March 15 to the level obtaining in the middle of December 1935.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

	PER CENT CHANGE IN FEBRUARY 1936 FROM		
	JANUARY 1936	FEBRUARY 1936	FEBRUARY 1926-35 Av.
Wheat:			
Receipts	-41.0	+46.4	-70.7
Shipments	-14.7	+1.5	-36.9
Corn:			
Receipts	-4.1	+125.8	-39.2
Shipments	-6.3	-2.7	-26.9
Oats:			
Receipts	-21.5	+7.1	-40.2
Shipments	-32.1	+24.5	-40.0

#### REPORTING MEMBER BANKS IN 12 LEADING CITIES



September 5, 1934, to March 18, 1936.

### MOVEMENT OF LIVESTOCK

A somewhat prolonged and rather general blockade of rural roads by drifted snow together with transportation delays resulted in a more than normal decline during February in livestock marketings in the United States. The receipts of cattle and calves at public stockyards decreased in greater than seasonal degree from January and were considerably under other recent months but slightly above a year ago and the 1926-35 February average. Lamb marketings remained in excess of last February, though continuing under the ten-year average and showing a greater than usual recession from January. On the other hand, hog receipts decreased less than normally from a month earlier; they were, however, 47 per cent under the 1926-35 average for the month and slightly below a year ago. In several instances, the movement to inspected slaughter (inclusive of animals that did not pass through public stockyards) diverged from or accentuated trends evidenced in market receipts: the supply of lambs exceeded the 1926-35 February average by 15½ per cent, that of hogs decreased more than is usual from January, and the movement of cattle and calves to slaughter showed a greater increment over the 1926-35 February average than was evidenced by market receipts.

Reshipments of lambs to feed lots declined in February to a level below any other month on record (January 1917), and those of cattle were smaller than at any time since March 1933. Furthermore, each was in markedly smaller volume than a year ago and considerably below the 1931-35 average for the month. Reshipments of feeder calves were reduced more than seasonally from January but exceeded the 1931-35 February average by 8 per cent.

### MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States declined more than seasonally in February to a level under any previous month since last September, 26 per cent below January, and 22 per cent lower than the 1926-35 February average, but was 8 per cent greater than a year ago. Despite the earlier beginning of the Lenten season in 1936 than 1935, the sales tonnage of these products fell off somewhat less than normally from January, showed a non-seasonal excess over current production, and totaled 4½ per cent heavier than last February; it was, however, 14 per cent under the ten-year average for the month. Although prices of most packing-house commodities, excepting pork loins, butts, and some weights of hams, eased from a month earlier, the total value of sales billed to domestic and foreign customers decreased only 3 per cent from January and 3½ per cent from the 1926-35 seasonal average, and exceeded that of last February by 3 per cent. Payrolls at the close of the

#### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT (Amounts in millions of dollars)

	FEB. 1936	PER CENT OF INCREASE OR DECREASE FROM JAN. 1936	FEB. 1935
Chicago	\$2,550	-6.5	+27.4
Detroit	756	-10.8	+14.6
Milwaukee	241	-3.2	+21.2
Indianapolis	145	-19.4	+18.2
Total four larger cities	\$3,692	-7.8	+23.8
36 smaller cities	591	-11.8	+20.0
Total 40 centers	\$4,283	-8.4	+23.2



period recorded a decline from a month earlier of  $5\frac{1}{2}$  per cent in number of employees, 9 per cent in hours worked, and of 8 per cent in wage payments; furthermore, the decreases from last February of  $6\frac{1}{2}$  per cent in hours worked and  $5\frac{1}{2}$  per cent in wage payments were slightly greater than had been evidenced during January. Inventories of packing-house products in the United States were reduced counter-seasonally by 8,064,000 pounds on March 1 from the beginning of February to a level 289,824,000 pounds under the 1931-35 average, but showed a smaller decrease from 1935 than had obtained a month previous.

Notwithstanding increased forwardings by a few companies, shipments for export totaled less in February than in January. British demand remained only fair for American lard and continued to decline for hams and other meats. Lard trade with Cuba improved slightly and the moderate demand from Porto Rico continued. Except for limited quantities of lard being taken by German importers, Continental demand for animal products from the United States remained practically nil. February quotations of United States meats and lard in the United Kingdom continued under Chicago parity during the month. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—accumulated further on March 1.

#### DAIRY PRODUCTS

Seventh district production of creamery butter declined less than seasonally in February to a level only  $1\frac{1}{2}$  per cent under January,  $7\frac{1}{2}$  per cent below the 1926-35 average for the month, and within  $\frac{1}{2}$  per cent of last February. The sales tonnage was 10 per cent heavier than in the corresponding period of 1935 and considerably exceeded current manufacture, but totaled  $7\frac{1}{2}$  per cent smaller than a month earlier and 8 per cent under the ten-year average. Production of the commodity in the United States showed about a normal decline from January, and nearly equaled the 1926-35 average for the month. Inventories of creamery butter in the United States decreased somewhat less than seasonally between February 1 and the beginning of March, though aggregating 12,309,000 pounds less than the 1931-35 average for that date.

February manufacture of American cheese in Wisconsin exceeded the 1926-35 February average by one per cent and was 31 per cent heavier than a year ago, but decreased counter-seasonally by  $13\frac{1}{2}$  per cent as compared with January. On the other hand, distribution of this commodity from primary markets of that

State rose to a level  $21\frac{1}{2}$  per cent above January,  $40\frac{1}{2}$  per cent higher than a year ago, and 27 per cent in excess of the 1926-35 February average; moreover, it showed more than a normal excess over current production for the month. As a consequence of the foregoing trends and a decline in prices, total inventories of cheese in the United States decreased more than is usual between February 1 and the beginning of March but were 9,422,000 pounds above a year earlier and 15,409,000 pounds greater than the 1931-35 March 1 average.

#### Industrial Employment Conditions

Decreases of one-half per cent in employment and  $3\frac{1}{2}$  per cent in payrolls reported by Seventh district industries for February, were contrary to the usual trend for the month and in sharp contrast to the heavy gains in 1935 and 1934 at this season. Curtailments in the automobile industry were largely responsible for the downward trend in the aggregate volumes, the vehicles group alone declining close to 3 per cent in the number of workers employed and as much as 12 per cent in amount of wage payments. Reductions of about 2 per cent in employment and somewhat less than 4 per cent in payrolls were recorded for the rubber goods and food-products industries. All other manufacturing groups, however, reported increases in both employment and payrolls, which considerably moderated the general decline. The metal products group, exclusive of vehicles, again showed an upward trend after the temporary recession during the preceding month.

Within the non-manufacturing division, increases were recorded for the public utilities, coal-mining, and construction industries, and these offset the greater part of the losses contributed by the merchandising group. A marked rise in employment within the construction industries was too recent to be reflected as yet in payroll figures. The coal-mining industry expanded operating schedules and consequently payrolls, but showed little change in employment volume. For the combined non-manufacturing groups decreases totaled about one-half per cent in both employment and

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUPS	WEEK OF FEB. 15, 1936			CHANGE FROM JAN. 15, 1936	
	REPORTING FIRMS No.	WAGE EARNINGS No.	EARNINGS (000 OMITTED) \$	WAGE EARNINGS %	EARNINGS %
Metals and Products <sup>1</sup> .....	1,420	355,169	8,700	+0.8	+0.8
Vehicles.....	281	336,275	8,218	-2.7	-12.0
Textiles and Products.....	309	58,583	1,041	+2.7	+4.9
Food and Products.....	688	87,168	1,962	-2.1	-3.5
Stone, Clay and Glass.....	234	16,323	334	+1.9	+4.7
Wood Products.....	427	38,949	712	+0.8	+3.2
Chemical Products.....	220	26,694	672	+0.3	+0.2
Leather Products.....	132	27,115	517	+1.7	+2.6
Rubber Products.....	34	13,185	300	-1.9	-3.9
Paper and Printing.....	579	67,110	1,712	+1.3	+0.7
Total Mfg., 10 Groups.....	4,324	1,026,571	24,168	-0.5	-4.1
Merchandising <sup>2</sup> .....	12,463	100,990	2,135	-3.5	-3.5
Public Utilities.....	154	89,338	2,803	+0.9	+0.6
Coal Mining.....	24	5,391	164	+0.1	+17.8
Construction.....	311	9,131	167	+23.3	-0.0
Total Non-Mfg., 4 Groups.....	2,892	204,850	5,269	-0.6	-0.7
Total, 14 Groups.....	7,216	1,231,421	29,437	-0.5	-3.5

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.

#### LIVESTOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
February 1936.....	170	364	261	70
Federally Inspected Slaughter,				
United States:				
February 1936.....	742	2,319	1,314	405
January 1936.....	906	3,428	1,540	485
February 1935.....	663*	2,409	1,137	391*

\*Inclusive of slaughter for relief agencies.

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	WEEK ENDED MARCH 14, 1936	FEB. 1936	MONTHS OF JAN. 1936	FEB. 1935
Native Beef Steers (average).....	\$ 8.75	\$ 8.45	\$ 9.35	\$10.45
Fat Cows and Heifers.....	6.90	6.75	7.10	7.00
Calves.....	7.50	9.15	9.50	7.20
Hogs (bulk of sales).....	10.20	10.40	10.05	8.55
Lambs.....	10.00	10.10	10.35	8.40

payrolls, while for the manufacturing groups they amounted to one-half and 4 per cent, respectively, in these items.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Output of automobiles in February showed the second successive contra-seasonal recession and was below that of the corresponding month last year. Passenger car production numbering 226,452 vehicles totaled 24½ per cent under January output and was 18 per cent smaller than a year ago, while truck output of 64,512 declined 4 per cent from a month earlier but was 7 per cent above that of February 1935.

Although Midwest sales of new automobiles to consumers gained somewhat in February over January, following a rather sharp decline in the last-named month, they numbered 13 per cent smaller than in the month last year, while distribution at wholesale dropped off further and was considerably lighter than a year ago. Stocks in dealers' hands continued to rise, though only slightly further, and were almost double those of a year earlier. Used car data for February recorded more favorable trends than did those on new cars, sales not only exceeding those of January but also totaling heavier than in February 1935; furthermore, stocks did not show as large a gain over last year as did those of new cars. A rather noticeable increase took place in February in the proportion of deferred payment sales to total retail sales of reporting dealers, a ratio of 51 per cent comparing with only 44 per cent in the preceding month and 43 per cent a year ago.

### IRON AND STEEL PRODUCTS

Sales and shipments of finished steel by mills in the Chicago district rose in February over the preceding month and likewise exceeded the volumes of the corresponding month last year. Although demand from the automotive industries and structural fabricators was less, increased buying by the railroads and miscellaneous consumers more than offset the decrease in business from those sources. Indications in early March were for continued improvement. Between the middle and the latter part of February steel ingot output rose from 60 to 63 per cent of capacity, at which level it was maintained through the second week of March. Pig iron production in the Illinois and Indiana district declined slightly in the daily average for February from January but remained considerably larger than a year earlier. Second-quarter finished steel prices

have been announced with little quotable change on most products; the scrap iron and steel market continued strong.

Steel casting foundries in the Seventh district maintained operations during February at practically the same rate as in January and increased shipments 11 per cent, although new orders booked during the month totaled 7 per cent smaller. Increases over the year-ago volumes were heavier than a month earlier, the February gains in these comparisons ranging from 54 per cent for production to 73 per cent for orders. At malleable casting foundries all items registered decreases from the preceding month, shipments falling off 6 per cent, production 13 per cent, and orders 17 per cent. Favorable margins in the yearly comparison were somewhat smaller than those recorded a month earlier.

Activity in the manufacture of stoves and furnaces recorded a sharp rise in February: molding-room operations expanded 42 per cent, shipments 21 per cent, and orders accepted 18 per cent over the preceding month. Operations exceeded those of a year ago by 7 per cent, while orders and shipments were 32 and 38 per cent larger, respectively, in this comparison. Inventories at the close of February were 40 per cent larger than a month earlier and 22 per cent above those of a year ago.

### FURNITURE

A greater than seasonal decline took place during February in orders booked by Seventh district furniture manufacturers, the recession from January of 38 per cent comparing with one of 29 per cent in the 1927-35 average for the period. As a result, orders exceeded those of last February by only one per cent. Shipments, on the other hand, gained more than seasonally in February over the preceding month—41½ per cent as against 33½ per cent in the average—and totaled 52 per cent heavier than in February a year ago. Although unfilled orders were reduced 19 per cent between January 31 and the close of February, their ratio to current orders rose from 89 per cent to 115 per cent; as compared with the month last year, unfilled orders were 5 per cent greater this February. Operations at 66 per cent of capacity in the current period exceeded those of the preceding month and a year ago by approximately 9 and 13 points, respectively.

### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	FEBRUARY 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JANUARY 1936	FEBRUARY 1935	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+13.8	+32.2	8
Sales in Board Feet.....	+6.9	+12.9	6
Accounts Outstanding <sup>1</sup> .....	+7.3	+28.1	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	+5.9	+49.2	128
Lumber Sales in Dollars.....	+15.7	+7.4	89
Lumber Sales in Board Feet.....	+4.5	+14.5	29
Accounts Outstanding <sup>1</sup> .....	+1.8	+8.7	120
RATIO OF ACCOUNTS OUTSTANDING <sup>1</sup> TO TOTAL DOLLAR SALES DURING MONTH			
	FEBRUARY 1936	JANUARY 1936	FEBRUARY 1935
Wholesale Trade.....	155.3	164.5	160.2
Retail Trade.....	284.6	307.7	394.1

<sup>1</sup>End of Month.

### MIDWEST DISTRIBUTION OF AUTOMOBILES

(Changes in February 1936 From Previous Months)

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JAN. 1936	FEB. 1935	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	-21.7	-48.3	19
Value.....	-20.4	-43.9	19
Retail—			
Number Sold.....	+5.8	-12.8	38
Value.....	+3.6	-2.1	38
On Hand February 29—			
Number.....	+1.8	+97.5	38
Value.....	+3.3	+88.1	38
<b>Used Cars:</b>			
Number Sold.....	+9.3	+17.9	38
Salable on Hand—			
Number.....	+5.3	+36.8	38
Value.....	+0.7	+27.5	38

## SHOE MANUFACTURING, TANNING, AND HIDES

Production of boots and shoes in Seventh district factories showed a slight non-seasonal decline during February, output according to preliminary reports totaling  $\frac{1}{2}$  per cent under that of the preceding month. Final data on the volume produced in January recorded a gain of 6 per cent over December and one of 2 per cent as compared with the corresponding volume of a year ago. Business in the tanning industry continued quiet during February, production and sales showing practically no change from January. Leather prices remained fairly steady. The movement of packer green hides in the Chicago market was in fair volume during the month and at prices generally lower than those obtained a month earlier.

## Building Materials, Construction Work

Demand for building materials throughout the Seventh district generally was adversely affected by the severe weather conditions that prevailed during February. Lumber sales, however, registered the usual moderate increase over the preceding month at wholesale, and at retail declined little more than is customary at this season. Affected by an unusually large demand for coal during the month, total sales at reporting retail yards increased contrary to seasonal trend. Shipments of brick and cement were slowed down considerably, and in many cases fell below not only the volume of January but also that of the corresponding month a year ago. While lumber sales both at wholesale and retail continued substantially in excess of a year earlier, the gains in this comparison were smaller than in January. Collections in general were reported as good, and the ratio of accounts outstanding to total dollar sales during the month were lower than either a month or a year previous.

### BUILDING CONSTRUCTION

Building construction in the Seventh Federal Reserve district declined seasonally during February, as indicated by contracts awarded. Total awards for the month, however, amounting to approximately 23½ million dollars were in over twice the volume of a year ago. Residential contracts, comprising 13 per cent of the total, likewise declined from a month previous but were considerably above the volume for the same month in 1935.

Reports from 102 cities in this district on building permits issued during February also reflected a declining trend. The estimated cost of proposed construction dropped 43 per cent from January but was 45 per cent above the level of a year ago. The number of permits issued in the month declined 18 and 13 per cent, respectively, in the two comparisons. In the monthly comparison of estimated cost, Chicago was the only one of the five larger cities that differed from

the group trend, an increase of 25 per cent over January being recorded for that city. Detroit with a decline of 2 per cent was the one exception among these cities (Chicago, Detroit, Milwaukee, Indianapolis, and Des Moines) in the comparison with a year ago.

### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
February 1936.....	\$23,490,308	\$3,020,654
Change from January 1936.....	-42%	-27%
Change from February 1935.....	+107%	+144%
First two months of 1936.....	\$63,855,068	\$7,168,727
Change from same period 1935.....	+152%	+139%

\*Data furnished by F. W. Dodge Corporation.

## Merchandising

Seasonal recessions in business were experienced during February in the wholesale grocery and drug trades of the Seventh district, sales in the former group declining  $6\frac{1}{2}$  and in the latter 6 per cent from the preceding month. The wholesale hardware trade increased 2 per cent over January, or somewhat less than in the 1926-35 average for the period, while sales of electrical supplies gained one per cent in the aggregate, contrary to trend for February. Increases over a year ago in the hardware and electrical supply trades were less than in a similar comparison for January; drug sales showed a slightly smaller decline than a month previous; while the dollar volume of groceries sold approximately equaled that of last February, in contrast to a  $6\frac{1}{2}$  per cent decrease recorded in the yearly comparison for January. In the first two months of 1936, hardware sales totaled 15 per cent and electrical supply sales 13 per cent in excess of those in the same two months last year, but grocery and drug sales were 3 per cent smaller each. Moderate increases took place in stocks between January 31 and the close of February in all but the grocery trade. Ratios of accounts outstanding to net sales rose in February in all groups except electrical supplies where some reduction was recorded; in groceries the ratio was higher than a year ago.

Not only was the increase of 8 per cent in February over January in Seventh district department store trade noticeably larger than the gain of one per cent in the 1926-35 average for the period, but it also was greater than the gains shown in any of these ten years and contrasted with declines in five of them. Aggregate sales of stores in smaller cities recorded the heaviest expansion over the preceding month— $10\frac{1}{2}$  per cent—while

### DEPARTMENT STORE TRADE IN FEBRUARY 1936

LOCALITY	PER CENT CHANGE FEBRUARY 1936 FROM FEBRUARY 1935		PER CENT CHANGE FIRST TWO MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF FEBRUARY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JANUARY	
	NET SALES	STOCKS END OF MONTH	NET SALES	1936	1935
Chicago.....	+14.9	+2.8	+9.2	33.6	33.9
Detroit.....	+2.7	+4.6	+3.7	46.4	45.1
Indianapolis.....	+1.1	+5.2	-1.3	41.2	41.6
Milwaukee.....	+12.5	+10.1	+9.4	36.6	36.7
Other Cities.....	+12.5	+10.7	+9.8	35.1	32.5
7th District.....	+10.5	+4.9	+7.3	38.6	37.7

### WHOLESALE TRADE IN FEBRUARY 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COL- LECTIONS	
Groceries.....	+0.1	-4.6	-5.4	-6.0	102.5
Hardware.....	+13.8	+16.2	+11.0	+10.7	226.2
Drugs.....	-2.0	-1.3	-2.3	-3.6	169.3
Electrical Supplies..	+7.8	+30.4	+2.2	+4.4	146.8



the dollar volume sold by Chicago firms increased 9 per cent, that sold in Detroit 8 per cent and in Milwaukee 7½ per cent, with sales by Indianapolis stores declining one per cent from the preceding month. The gain of 10½ per cent over last February in total district sales exceeded that shown in the yearly comparison in either of the two preceding months, although one more trading day in the month this year, and that a Saturday, affected the size of the increase, as daily average sales gained less than 5 per cent over a year ago. A seasonal increase of 6 per cent took place in stocks during February, and they totaled 5 per cent in excess of those held a year earlier.

A counter-seasonal expansion of 10 per cent was recorded during February in the retail shoe trade. There were small gains also in 1935 and 1934, but the 1926-35 average for February showed a decline of 6 per cent. As compared with last February, sales in the month this year totaled 6 per cent larger, and for the first two months of 1936 they were likewise 6 per cent in excess of those in the same months of 1935. Stocks rose 13½ per cent during the month and were

14 per cent above those at the close of February last year.

The retail furniture trade likewise experienced an exceptional gain during February, sales of reporting dealers and department stores rising 41 per cent in the aggregate over the preceding month, as against an increase of but 20 per cent in the 1927-35 average for the period. Sales totaled 5 per cent larger than in February last year. Dealers reported a smaller expansion over the preceding month than did department stores and showed an 11 per cent decline in sales from a year ago. At the close of February, stocks totaled 6 per cent heavier than a month previous and 8½ per cent larger than at the same time in 1935.

Sales of twelve reporting chains operating 2,731 stores in February gained 4 per cent in the aggregate over January and a like percentage over a year ago. In both comparisons, grocery sales alone recorded declines, with five-and-ten-cent store, drug, cigar, men's clothing, and musical instrument chains showing increases.

## MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

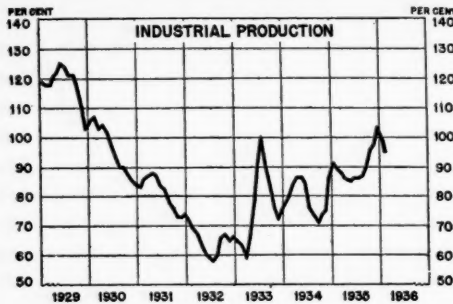
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Feb. 1936	Jan. 1936	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935	Feb. 1935	Jan. 1935	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	83	85	83	88	94	86	80	81	73	71	79	77
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	46	42	41	42	47	39	31	31	20	24	27	29
In Tons.....	12	46	42	41	41	47	39	29	30	19	25	26	31
Malleable—In Dollars.....	21	49	52	49	42	45	37	37	37	28	29	26	24
In Tons.....	21	73	78	73	62	66	56	57	59	42	43	38	34
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	10	115	94	172	205	238	197	85	59	101	144	192	140
<b>Furniture—</b>													
Orders (in dollars).....	12	45	73	43	56	62	61	44	52	26	35	41	41
Shipments (in dollars).....	12	57	41	53	54	68	64	37	27	31	38	43	40
<b>Flour—</b>													
Production (in bbls.).....	19	90	102	77	86	122	98	90	103	93	101	117	106
<b>Output of Butter by Creameries—</b>													
Production.....	59	81	82	79	74	94	112	81	86	88	98	125	133
Sales.....	61	87	94	102	98	121	107	79	107	116	130	127	120
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	64	68	65	69	81	86	64	72	70	73	77	76
Hardware.....	11	49	48	65	75	96	75	43	41	52	57	65	59
Drugs.....	12	67	73	74	72	81	76	69	74	67	69	77	68
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	69	64	133	85	81	73	60	60	123	77	79	75
Detroit.....	5	78	72	153	101	92	110	76	69	139	81	78	98
Indianapolis.....	4	66	67	143	93	101	95	70	70	140	83	85	90
Milwaukee.....	5	67	63	135	94	95	80	58	58	125	83	89	78
Other Cities.....	40	63	57	127	88	85	72	56	54	116	74	75	68
Seventh District—Unadjusted.....	81	69	64	137	90	86	81	62	61	126	78	79	79
Adjusted.....	81	87	80	81	81	78	79	79	77	75	71	72	77
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		77	102	118	116	73	20	94	78	38	17	29	43
Trucks.....		171	179	168	158	160	86	159	169	113	92	127	119
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		10	14	21	17	22	21	4	6	5	6	8	8
Total.....		34	59	78	43	53	43	17	20	26	22	34	29
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		75	77	79	79	71	68	63	51	38	34	33	34
United States.....		64	67	69	70	65	60	59	49	34	33	31	31
Steel Ingot Production—(U. S.)*.....		89	85	93	91	87	85	87	80	59	47	41	38

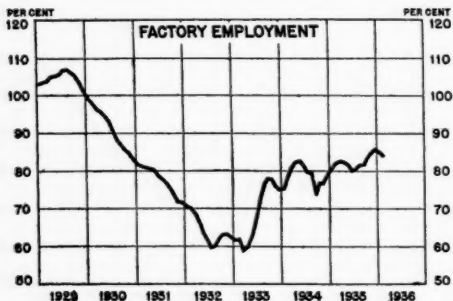
\*Average daily production.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

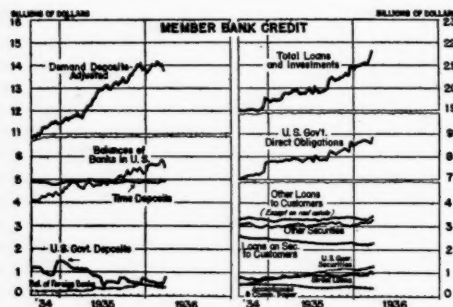
(By the Board of Governors of the Federal Reserve System)



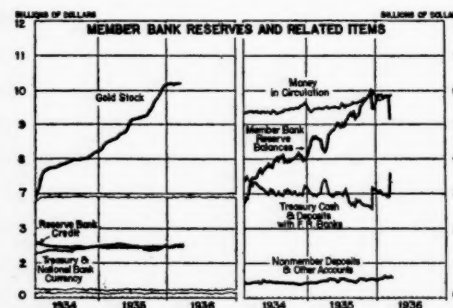
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to February 1936.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to February 1936.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to March 18, 1936.



Wednesday figures, January 31, 1934, to March 18, 1936.

VOLUME of industrial production and employment showed little change in February, and the index of production, which makes allowance for seasonal changes, declined from 98 to 95 per cent of the 1923-1925 average. Distribution of commodities continued at about the January level.

### PRODUCTION AND EMPLOYMENT

Daily average output in basic industries was in about the same volume in February as in January. Since usually there is an increase in manufacturing activity at this season, the Board's seasonally adjusted index of factory output showed a decline. Output at mines increased. There was a substantial further decrease in automobile production in February, and the rate of operations at steel mills increased by less than the usual seasonal amount. In the first half of March production of steel expanded seasonally and output of automobiles showed a more than seasonal increase. There was little change in the volume of lumber cut in February, although an increase usually occurs in that month. At woolen mills production increased by about the seasonal amount, while activity at cotton textile mills, which is usually larger in February than in January, decreased, and at silk mills there was a larger than seasonal decline. Output at meat-packing establishments also declined. There was a substantial increase in the mining of both anthracite and bituminous coal, while output of crude petroleum declined somewhat.

Factory employment increased by less than the usual seasonal amount between the middle of January and the middle of February. There was little change in the number of workers at steel mills and a decrease in the number employed at automobile factories, although increases are usual in these industries in February. Employment declined at silk and rayon textile mills and showed a smaller than seasonal increase at shoe factories. Increases in employment were reported for railroad repair shops, for printing and publishing establishments, and for factories producing wearing apparel. Factory payrolls, which are usually larger in the middle of February than a month earlier, showed no change.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in February. Awards for residential construction showed little change, and there was a decrease in the value of awards for all other contracts, a large part of which are for public projects.

### DISTRIBUTION

Department store sales showed little change from January to February and, after allowance for seasonal variation, were at about the same level as that prevailing last summer and autumn. Freight-car loadings increased by a small seasonal amount in February. Loadings of coal were considerably larger than in January, while shipments of miscellaneous freight declined, and the Board's seasonally adjusted index of total loadings remained at the January figure of 70 per cent of the 1923-1925 average as compared with 71 per cent in December and an average of 63 per cent for 1935.

### COMMODITY PRICES

The general level of wholesale commodity prices declined somewhat during the latter part of February and the first half of March, following a six-month period of little change. The recent downward movement reflected declines in prices of farm products and foods.

### BANK CREDIT

Excess reserves of member banks decreased by \$650,000,000 during the four weeks ending March 18, and on that date amounted to \$2,400,000,000. This decrease reflected chiefly a transfer of funds to Treasury deposits at the reserve banks in connection with receipt of income taxes and of cash payments for newly-issued Government securities.

Loans and investments of reporting member banks in leading cities increased rapidly in March and on the eighteenth of the month were \$525,000,000 higher than four weeks earlier. Of this increase \$190,000,000 represented a growth in holdings of direct and guaranteed obligations of the United States Government and \$80,000,000 an increase in other investments. Security loans both to brokers and dealers and to others increased, and there was a substantial growth in so-called "other loans," which include loans for commercial purposes.

Adjusted demand deposits of reporting member banks declined by \$340,000,000 during the four weeks ending March 18. Balances held for domestic banks increased at the turn of the month as banks in the interior sold Government securities in New York in anticipation of maturities. During the week ending March 18, balances declined, partly as the result of banks throughout the country purchasing in the New York market Government securities issued on March 16.



in  
ea-  
ge.

in  
ing  
put  
ther  
s at  
half  
siles  
ume  
nth  
hile  
a in  
ine.  
ntial  
tput

be-  
ittle  
nber  
dus-  
and  
in  
hing  
olls,  
lier,

odge  
ction  
r all

and,  
that  
small  
than  
ard's  
re of  
mber

uring  
month  
es in

four  
This  
eserve  
s for

reased  
nigher  
wth in  
nment  
rokers  
wth in  
00,000  
banks  
nment  
ending  
at the  
ed on  
ab